



COMMITTEE ON THE BUDGET
MAJORITY CAUCUS
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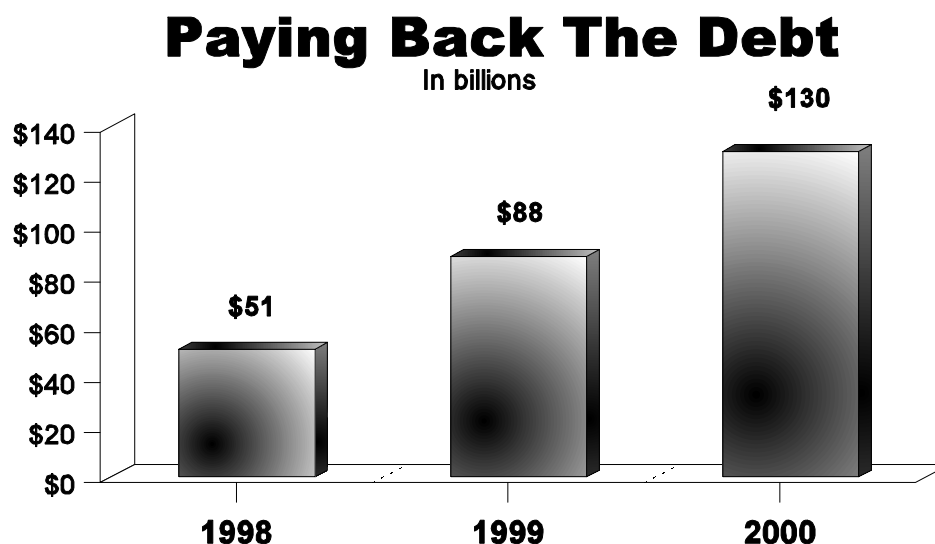
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The 2001 Budget Cycle: Staying the Course of Fiscal Responsibility

GOP Will Build on Historic Record of Achievement

Fiscal Discipline Works. The Balanced Budget Act of 1997 began a new era of fiscal restraint in the United States Congress. What began as a plan to balance the budget and end a generation of deficit spending has now become the benchmark of a new era: one of burgeoning budget surpluses and new opportunities to put America's fiscal house in order for the long term.

As we begin the debate over this year's budget, let's take a look at where things stand: For two years now the federal government has operated with growing surpluses. While some programs did grow in those years, the Balanced Budget Act served as an effective brake on runaway spending increases and new big government programs proposed by the Clinton Administration. As a result, the Federal Government was able to begin retiring the nation's \$3.6 trillion debt held by the public. The chart below shows that Federal Government is finally starting to pay back the debts of previous tax-and-spend Congresses:



1998: OMB actual
1999: OMB actual
2000: HBC estimate

GOP Ended the Raid on Social Security. Last year surpluses piled up like cordwood, but most of this money came from taxes paid into Social Security. President Clinton and the Democrats in Congress proposed huge new spending increases, further tax increases, and in a classic kick in the pants to people who rely on Social Security, **a \$50 billion-plus raid on the new Social Security surplus.**

Republicans in Congress had something bolder in mind. We pledged to set aside 100 percent of the Social Security surpluses and worked to assure that on-budget surpluses be returned to the taxpayer in the form of tax relief. **By the end of the year the GOP had done the near impossible; for the first time in a generation, we stopped the federal government raid on Social Security.**

GOP Will Lock Away Social Security For Good. We begin this year with an extraordinary proposal by House Speaker Dennis Hastert: Lock away the Social Security surplus for good so that we can pay off that \$3.6 trillion debt by 2015. The Congressional Budget Office this week will report new surplus estimates. Most observers expect that surplus projections will continue to rise on the momentum of high taxes during a strong economy. We now expect the Social Security Surplus to be about \$2 trillion over the next ten years.

Democrats Would Squander On-Budget Surpluses. What about huge surpluses now being generated on-budget, that is not including Social Security? [Last year this was estimated to be about \$1 trillion, but more recent data indicates that this number could be twice as large; about \$2 trillion by 2010!] The problem is that every signal from the White House so far is that they will propose increases in spending in virtually every category of government. This would effectively squander the surplus on a lameduck agenda proposed by a lameduck president.

Democrats in Congress have an even more dangerous approach: Tie government spending to the rate of inflation. This approach slashes the new budget surpluses in half over ten years.

GOP Will Work to Allow Future Surpluses to Grow. This is where the battle lines will be drawn in this year's budget wars. Do we put government on spending autopilot and destroy these new surpluses or do we take advantage of this opportunity to strengthen our economy and pay off our debt? Do we give the taxpayer some of his money back or do we leave it Washington where it will get spent?

We need to establish a new reality that restrains spending, even in an era of huge new surpluses. The government is still too big, still too wasteful and still too intrusive on the lives of average Americans. The challenge for the GOP this year will be to find this new reality and limit governments growth to protect these surplus revenues for the priorities of the future.

Imagine: less government, lower taxes and debt-free -- That's a powerful message for the new century.